

Administration of Barack H. Obama, 2009

Interview With Jay Leno of "The Tonight Show" in Burbank, California
March 19, 2009

Mr. Leno. I'm excited, I'm honored to introduce my first guest, the 44th President of the United States, please welcome President Barack Obama.

The President. Thank you.

Mr. Leno. Good to see you.

The President. It is good to see you and—[*applause*]. Thank you. Let me just say, I think Kevin looks good in a suit. [*Laughter*]

Kevin Eubanks. Thank you, sir. Thank you, sir.

President's Previous Visit/Life as President of the United States

The President. He looks a little like Secret Service. [*Laughter*]

Mr. Leno. He does, yes. And you're the only guy who can get him to wear it. [*Laughter*]

Now, you know, it's funny, because the last time you were here, you walked in, you had your jacket on your finger, and you had the two guys with you——

The President. Right.

Mr. Leno. ——and that was it. Big change?

The President. You know, the—I was mentioning earlier, we landed yesterday, and then—this is an example of life in the bubble—we landed at the fairground down in Costa Mesa, and I see the fairground where I think we're having this town hall, and I said, "Well, why don't we walk over there?" Secret Service says, "No, sir, it's 750 yards." [*Laughter*] So I was trying to calculate—well, that's like a 5-minute walk? "Yes, sir. Sorry." [*Laughter*] Now, they let me walk on the way back, but, you know, the doctor is behind me with the defibrillator. [*Laughter*]

Mr. Leno. Wow.

The President. Michelle jokes about how our motorcade—you know, we've got the ambulance and then the caboose and then the dog sled—[*laughter*]
[*Laughter*] There's a whole bunch of stuff going on.

President's First Days in Office/National Economy

Mr. Leno. Now it's only, what, 59 days now, right?

The President. Yes, 59 days.

Mr. Leno. And so much scrutiny. Is it fair to judge so quickly? I mean——

The President. Well, look, we are going through a difficult time. I welcome the challenge. You know, I ran for President because I thought we needed big changes. And I do think in Washington it's a little bit like "American Idol," except everybody is Simon Cowell. [*Laughter*]

Mr. Leno. Wow. Wow. That's rough. That's rough.

The President. Everybody's got an opinion. But that's part of what makes for our democracy. You know, it's contentious, and people are hitting back. And I do think, though,

that the American people are all in a place where they understand it took us a while to get into this mess, it's going to take a while for us to get out of it. And if they have confidence that I'm making steps to deal with issues like health care and energy and education, that matter deeply to their daily lives, then I think they're going to give us some time.

American International Group (AIG) Bonuses/Financial Regulatory System

Mr. Leno. Let me ask you about this. I know you are angry, because, you know, doing what I do, you kind of study body language a little bit. And you looked very angry about these bonuses; actually, stunned.

The President. Stunned. Stunned is the word.

Mr. Leno. Tell people what happened. I know people have been over it, just——

The President. Well, look, here's what happened. You've got a company, AIG, which used to be just a regular old insurance company; then they insured a whole bunch of stuff, and they were very profitable, and it was a good, solid company. Then they decided—some smart person decided, let's put a hedge fund on top of the insurance company and let's sell these derivative products to banks all around the world, which are basically guarantees or insurance policies on all these subprime mortgages.

And this smart person said, you know, none of these things are going to go bust; this subprime thing, it's a great deal; you can make a lot of profit. So they sold a whole bunch of them—billions and billions of dollars. And what happened is, is that when people started going bust on subprime mortgages, you had \$30 worth of debt on every dollar worth of mortgage, and the whole house of cards just started falling down.

So the problem with AIG was that it owed so much and was tangled up with so many banks and institutions that if you had allowed it to just liquidate, to go into bankruptcy, it could have brought the whole financial system down. So it was the right thing to do to intervene in AIG.

Now, the question is, who in their right mind, when your company is going bust, decides we're going to be paying a whole bunch of bonuses to people? And that, I think, speaks to a broader culture that existed on Wall Street, where I think people just had this general attitude of entitlement, where, we must be the best and the brightest; we deserve \$10 million or \$50 million or \$100 million dollar payouts.

Mr. Leno. Right.

The President. And, you know, the immediate bonuses that went to AIG are a problem. But the larger problem is we've got to get back to an attitude where people know enough is enough, and people have a sense of responsibility, and they understand that their actions are going to have an impact on everybody. And if we can get back to those values that built America, then I think we're going to be okay.

Mr. Leno. Well, you know, it's interesting, when you said—it's like, I had to laugh the other day when the CEO of AIG said, okay, I've asked them to give half the bonuses back. Now, if you rob a bank and you go into court—[laughter]—and you go, "Your Honor, I'm going to give you half the money back." [Laughter] And they seem stunned that we're not jumping at this wonderful offer.

The President. Well, you know, the only place I think that might work is in Hollywood. [Laughter]

Mr. Leno. Let me ask you this. Now, they—I heard them say, well, one of the problems is it's contractual, and if we don't pay these bonuses, well, they can sue us. All the time people say, so sue me.

The President. So sue me, right.

Mr. Leno. I mean, the Federal Government is in debt a trillion dollars. We're broke—sue us. Sue me. *[Laughter]*

The President. In fairness, I think that part of the calculation they were making was the way the contracts were written said, if you don't pay us immediately, then we can claim three times as much as we were owed under the bonuses. And so they were making a legal calculation, and their legal judgment was not necessarily wrong.

But there's a moral and an ethical aspect to this as well. And I think that's what has gotten everybody so fired up. The main thing—we're going to do everything we can to see if we can get these bonuses back. But I think the most important thing that we can do is make sure that we put in a bunch of financial regulatory mechanisms to prevent companies like an AIG holding the rest of us hostage. Because that's the real problem.

The problem is not just what's happened over the last 6 months. The problem is what was happening for years, where people were able to take huge, excessive risks with other people's money, putting the entire financial system at risk, and there were no checks, there were no balances, there was nobody overseeing the process.

And so what we're going to be moving very aggressively on, even as we try to fix the current mess, is make sure that before somebody makes a bad bet you say, hold on, you can't do that.

Legislation to Tax Bonuses for Certain Employees of Companies Receiving Trouble Assets Relief Program Money

Mr. Leno. Well, here's something that kind of scared me. Today they passed this thing that says we're going to tax 90 percent of these bonuses. And the part that scares me is, I mean, you're a good guy—if the government decides they don't like a guy, all of a sudden, hey, we're going to tax you and then, boom, and it passes. I mean, that seems a little scary as a taxpayer, they can just decide—you want to take a break and answer that when we come back? Okay, hold that answer.

The President. I will. I've got a good answer too.

[At this point, there was a break in the interview.]

Mr. Leno. Welcome back. We are talking with President Barack Obama.

Before the break, I mentioned that they had just passed this new bill which will tax them 90 percent, and I said it was frightening to me as an American that Congress, whoever, could decide, I don't like that group, let's pass a law and tax them at 90 percent.

The President. Well, look, I understand Congress's frustrations, and they're responding to, I think, everybody's anger. But I think that the best way to handle this is to make sure that you've closed the door before the horse gets out of the barn. And what happened here was the money has already gone out and people are scrambling to try to find ways to get back at them.

The change I'd like to see in terms of tax policy is that we have a system, going back to where we were back in the 1990s, where you and I who are doing pretty well pay a little bit

more to pay for health care, to pay for energy, to make sure that kids can go to college who aren't as fortunate as our—as my kids might be. Those are the kinds of measured steps that we can take. But the important thing over the next several months is making sure that we don't lurch from thing to thing, but we try to make steady progress, build a foundation for long-term economic growth. That's what I think the American people expect.

Financial Regulatory System Reform

Mr. Leno. I just read today about Merrill Lynch. They handed out 3.6 billion. It's not even million anymore, it's billions in bonuses. I know it would make me feel good—shouldn't somebody go to jail? [*Laughter*] I say that because I watch those people in New York, even people who had lost everything—when Bernard Madoff went to jail, at least they felt they got something.

The President. Right. They got some satisfaction. Here's the dirty little secret, though. Most of the stuff that got us into trouble was perfectly legal. And that is a sign of how much we've got to change our laws, right? We were talking earlier about credit cards, and it's legal to charge somebody 30 percent on their credit card and charge fees and so forth that people don't always know what they're getting into. So the answer is to deal with those laws in a way that gives the average consumer a break.

When you buy a toaster, if it explodes in your face there's a law that says your toasters need to be safe. But when you get a credit card, or you get a mortgage, there's no law on the books that says if that explodes in your face financially, somehow you're going to be protected.

So this is—the need for getting back to some commonsense regulations—there's nothing wrong with innovation in the financial markets. We want people to be successful; we want people to be able to make a profit. Banks are critical to our economy. And we want credit to flow again, but we just want to make sure that there's enough regulatory common sense in place that ordinary Americans aren't taken advantage of, and taxpayers, after the fact, aren't taken advantage of.

National Economy

Mr. Leno. Yes—because when I was a kid, we would—banks or credit cards would lend you money so you would pay it back. Now they lend you money so you can't pay it back. [*Laughter*] It's like we were talking before, I mentioned we all saw "A Wonderful Life"—Mr. Potter, the meanest man, remember he owned the whole town? You know what he charged on a mortgage? Two percent. [*Laughter*]

The President. He's like Mother Teresa now. [*Laughter*]

Mr. Leno. Like Mother Teresa now. [*Laughter*] He makes VISA look like ohh—

The President. Well, and part of what happened over the last 15, 20 years is that so much money was made in finance that about 40 percent, I think, of our overall growth, our overall economic growth, was in the financial sector. Well, now what we're finding out is a lot of that growth wasn't real. It was paper money, paper profits on the books, but it could be easily wiped out.

And what we need is steady growth; we need young people, instead of—a smart kid coming out of school, instead of wanting to be an investment banker, we need them to decide they want to be an engineer, they want to be a scientist, they want to be a doctor or a teacher. And if we're rewarding those kinds of things that actually contribute to making things and

making people's lives better, that's going to put our economy on solid footing. We won't have this kind of bubble-and-bust economy that we've gotten so caught up in for the last several years.

Treasury Secretary Timothy F. Geithner

Mr. Leno. Now, Treasury Secretary Geithner, he seems to be taking a little bit of heat here. How is he holding up with this? He seems like a smart guy.

The President. He is a smart guy, and he's a calm and steady guy. I don't think people fully appreciate the plate that was handed him. This guy has not just a banking crisis; he's got the worst recession since the Great Depression, he's got an auto industry on—that has been on the verge of collapse. We've got to figure out how to coordinate with other countries internationally. He's got to deal with me; he's got to deal with Congress. And he's doing it with grace and good humor. And he understands that he's on the hot seat, but I actually think that he is taking the right steps, and we're going to have our economy back on the move.

Mr. Leno. Now, see, I love that it's all his problem. [*Laughter*]

The President. No, no, no.

Mr. Leno. I mean, when he came in you probably said, "Hey, this is not a problem." Now, it's, "Hey, you got this, you got that; hey, good luck." [*Laughter*]

The President. No, no, but this is the point that I made, I think, 2 days ago, when somebody asked, "Well, do you have confidence in Tim Geithner?" I said, "Look, I'm the President, so ultimately all this stuff is my responsibility." If I'm not giving him the tools that he needs to make sure that we're moving things forward, then people need to look at me.

On the AIG thing, all these contracts were written well before I took office, but ultimately I'm now the guy who's responsible to fix it. And one of the things that I'm trying to break is a pattern in Washington where everybody is always looking for somebody else to blame. And I think Geithner is doing an outstanding job. I think that we have a big mess on our hands. It's not going to be solved immediately, but it is going to get solved. And the key thing is for everybody just to stay focused on doing the job instead of trying to figure out who you can pass blame on to.

Economic Stabilization Funds

Mr. Leno. Well, when will the money—this money was given out to the banks, I would have thought by this time it would have sort of trickled down to Main Street, to people wanting to get loans. I mean, it all went out there months and months ago. Where is it?

The President. Well, what's happening is a lot of these banks are keeping it in the bank because their balance sheets had gotten so bad that they decided, you know what, for us to stay solvent we need to maintain certain capital ratios; we've got to have a certain amount of capital in the bank. And they haven't started lending it yet. And that's why what we've got to do—right now what we're doing is essentially doing a diagnostic test—trying to use some auto language here so you—[*laughter*].

Mr. Leno. Got you.

The President. We're doing a diagnostic on each of the banks, figuring out what are their capital levels, can they sustain lending. And then I think we're going to separate out—those banks that are in good shape, we're going to say to them, all right, you're on your own; go start

lending again. Those banks that still have problems, we'll do a little more intervention to try to clean some of those toxic assets off their books.

But I actually have confidence that we'll get that done. In the meantime, we're taking a lot of steps to, for example, opening up—open up separate credit lines outside of banks for small businesses so that they can get credit, because there are a lot of small businesses out here who are just barely hanging on. Their credit lines are starting to be cut. We're trying to set up a securitized market for student loans and auto loans outside of the banking system. So there are other ways of getting credit flowing again. But that's why we've got to solve the banking problem, and we've got to solve issues like health care, energy, and education that will put us on a pathway for long-term economic growth.

Mr. Leno. We're going to take a break. When we come back I want to ask you what we can do—all right, we'll take a break. More with the President, we'll be right back.

[There was another break in the interview.]

Weathering the Current Financial Situation

Mr. Leno. Welcome back. Talking with President Barack Obama. So I was going to ask you before we went to the break—so you have—obviously, we have a lot of people with a few dollars—couple of hundred, couple of thousand—but there's millions of them. Okay, obviously, that's a tremendous financial forest. What should they do? Put their money in the bank? Should they be spending money? Should they hide it under their mattress?

The President. Look, first of all, everybody should have complete confidence in the banks. They're deposits are protected. They shouldn't be putting it in their mattresses. I will leave it up to others to provide individual, personal financial advice.

But I will say this, that if you're working right now, obviously, you've got to be prudent and you've got to recognize that the economy has been in a tough way. But, you know, we've still got kids who are going to need a coat for winter or a computer for school. You know, that young family is still going to at some point need to buy a house. And right now cars, for example, we know that typically you need about 14 million cars for this population, and right now only 9 million are being sold every year. So at some point those inventories are going to run down and people are going to start buying cars again.

So, you know, what people should not do is forget that what has built America has always been a faith and a confidence in the future. And our future is bright if we take some smart steps right now. And that's what we're working on in Washington. And I think, if everybody stays focused on getting through these tough times, the future is going to be very bright for all of us.

Alternate Fuel Sources/U.S. Auto Industry

Mr. Leno. Now, you mentioned cars a minute ago. You went to the electric car—you went to look at some batteries today.

The President. I did. It's spectacular what is being done now with plug-in hybrids, where not only are you getting the hybrid technology, but now you can plug it in at home in your garage. And potentially, we could see cars getting 150 miles to a gallon of gas. And when you get home you could potentially sell the energy in your car back into the grid, back to your utility, and get money.

So we're going to be investing billions of dollars in research and development around these technologies. I know that you were mentioning you've got a hydrogen car——

Mr. Leno. I've got the GM hydrogen car. That's a whole new——

The President. That's a whole new level of technology. That's what's going to create the auto industry of the future. That's where we're going to win back manufacturing. But right now we're behind. These batteries are being made in Japan, just like wind power is being made in Europe. We need to bring that here, and that's part of what my budget and part of what our Recovery Act is all about.

Air Force One

Mr. Leno. Let me ask you some personal things. Now, how cool is it to fly in Air Force One? [*Laughter*]

The President. Now, let me tell you, I personally think it's pretty cool. Especially because they give you, you know, the jacket with the seal on it. [*Laughter*]

Mr. Leno. Oh, yeah. See, I still get the little wings when I fly.

The President. So you have the jacket. I will tell you, though, Malia and Sasha, my daughters, they're just not as impressed. The first time we went on Marine One—right, you've got the marines in front and they're saluting you, and we go up, and we're passing the Washington Monument, circling around on the way to Camp David, and Sasha looks over and she says, "Are those Starbursts?" [*Laughter*] There's, like, the candy in the little canister. [*Laughter*] That's—"Can we have some?" [*Laughter*] So they're splitting up the Starbursts, and we're flying over the Lincoln Memorial. And that—so they got a whole 'nother level of cool. [*Laughter*]

President's Sporting Activities

Mr. Leno. Now, are they going to put a basketball—I imagine the bowling alley has been just burned and closed down.

The President. No, no. I have been practicing bowling. [*Laughter*]

Mr. Leno. Really? Really?

The President. I bowled a 129. [*Laughter*]

Mr. Leno. Oh, no, that's very good. Yes. No, that's very good, Mr. President.

The President. It's like—it was like Special Olympics or something. [*Laughter*]

Mr. Leno. No, that's very good.

The President. No, listen, I'm making progress on the bowling, yes.

Mr. Leno. And how about, are you going to put in a basketball court?

The President. Oh, yes. Yes. Well, we have a basketball court already at Camp David. We just had a little rim that was inadequate—[*laughter*]—at the White House now. But there are tennis courts, so we're going to just get those—you know, those rims that you can roll in and out. And then we'll just put them on either end.

President's Basketball Games/Final Four

Mr. Leno. Let me ask you, when people—"Mr. President, would you like to play?" "Yes, I would." Do they throw the game? Come on. [*Laughter*]

The President. I don't see why they would throw the game, except for all those Secret Service guys with guns around. [*Laughter*]

Mr. Leno. Yes, exactly.

The President. I will say that I don't think I get the hard fouls that I used to. Usually I don't——

Mr. Leno. Yes, Reggie goes, ooh, I missed, ooh. [*Laughter*]

The President. Reggie doesn't do that. This is Reggie Love, my assistant. He played for Duke, very competitive guy. He doesn't let me win because, as he pointed out, if you lose to Obama you never hear the end of it. [*Laughter*]

Mr. Leno. See, there you go. Now, have you picked your final four?

The President. I did.

Mr. Leno. Okay. How about your final one, who do you got?

The President. I got North Carolina Tar Heels.

Mr. Leno. North Carolina.

The President. That's what I got. I think I got a hard time from Reggie, because he played at Duke, and you know, Coach K, being competitive, I think was a little—you know, pushed back a little bit today. And I understand that. That's what you want. You want everybody to be competitive. I think these are all great teams.

Mr. Leno. Like, do you look at the whole picture when you do that? For example, isn't that a swing State? [*Laughter*] I'm just saying, are you looking at the whole picture when you pick?

The President. I mean, the fact that teams from North Carolina, Indiana, Iowa, all seem to do well in my bracket—[*laughter*—] I think is a complete coincidence. Absolutely.

First Family's Dog

Mr. Leno. All right, one last question. Now, when is the dog coming? I keep hearing about the dog. It seems to me—when was the dog supposed to be there by? Wasn't it—I thought it was, like, as soon as——

The President. Listen, this is Washington. [*Laughter*] That was a campaign promise. [*Laughter*]

Mr. Leno. Oh, wow. Wow. Man. [*Laughter*]

The President. I'm teasing. The dog will be there shortly. [*Laughter*]

Mr. Leno. Now what kind of dog?

The President. We have actually sort of been laying the groundwork here. We've got a trip—I've got to go to the NATO summit. When we get back, dog will be in place.

Mr. Leno. Wow. And it's, what, a Portuguese water head? [*Laughter*] What is it, what kind of dog is it?

The President. It's not that. [*Laughter*]

Mr. Leno. It's not that.

The President. It's not a "water head." [*Laughter*]

Mr. Leno. Whatever they are, I don't know what they are.

The President. That sounds like a scary dog—[*laughter*—sort of dripping around the house. [*Laughter*]

Mr. Leno. I don't know what it is.

The President. No, no. We're going to get a dog that is—that I think the girls will have a great time—I think I'm going to have a lot of fun with it. You know, they say, if you want a friend in Washington, get a dog. [*Laughter*]

Mr. Leno. Exactly. Mr. President, I must say, this has been one of the best nights of my life. Thank you very much, sir.

The President of the United States.

NOTE: The interview began at 4:22 p.m. at NBC Studios. In his remarks, the President referred to Kevin Eubanks, music director, "The Tonight Show with Jay Leno"; Simon Cowell, judge, "American Idol"; Edward Liddy, chief executive officer, American International Group, Inc.; former stock broker Bernard Madoff, convicted on March 12, 2009 for 11 felonies, including securities fraud and money laundering; and Mike Krzyzewski, coach, Duke University's men's basketball team.

Categories: Interviews With the News Media : Interviews :: NBC, "The Tonight Show".

Locations: Burbank, CA.

Names: Cowell, Simon; Eubanks, Kevin; Geithner, Timothy F.; Krzyzewski, Michael W.; Leno, Jay; Love, Reginald L.; Obama, Malia; Obama, Michelle; Obama, Natasha "Sasha".

Subjects: Budget, Federal : Fiscal year 2010 budget; Business and industry : Automobile industry :: Decline; Business and industry : Automobile industry :: Strengthening efforts; Business and industry : Bank deposits, Federal insurance; Business and industry : Corporate executives, compensation packages; Business and industry : Credit cards, regulations and consumer protections; Business and industry : Credit freeze situation; Business and industry : Home loan industry; Business and industry : Small and minority businesses; California : President's visits; Commerce, international : Global financial markets :: Stabilization efforts; Communications : News media :: Presidential interviews; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Corporate responsibility; Economy, national : Credit markets, stabilization efforts; Economy, national : Economic concerns; Economy, national : Financial regulations, modernization efforts; Economy, national : Recession, effects; Economy, national : Strengthening efforts; Energy : Alternative and renewable sources and technologies; NBC : "The Tonight Show"; North Atlantic Treaty Organization; Science and technology : Research and development; Sports : Basketball; Taxation : Tax Code :: Reform; Treasury, Department of the : Consumer and Business Lending Initiative; Treasury, Department of the : Financial institutions, assessment and regulation; Treasury, Department of the : Secretary; Treasury, Department of the : Troubled Asset Relief Program.

DCPD Number: DCPD200900173.